

**EXHIBIT 173 TO  
CISNEROS DECLARATION IN  
SUPPORT OF PLAINTIFFS'  
SUPPLEMENTAL MOTION FOR  
CLASS CERTIFICATION  
[ECF NO. 418-2]  
REDACTED VERSION**

ATTACH 5 Equity Proposal 2007-01-30

EXHIBIT 173  
 WIT. Geshuri  
 DATE 8-17-12  
 KRAMM COURT REPORTING

## 2007 Equity Compensation Usage

### Analysis & Recommendations

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#### OVERVIEW

We propose that the Committee review and recommend the Board approve:

- A. A 2007 equity compensation budget equal to [REDACTED]
- B. A shareholder request [REDACTED]
- C. Google's Transferable Stock Option (TSO) program launch in 2007

#### A. 2007 SHARE USAGE PROPOSAL

##### Background

We evaluated Google's current share usage levels for appropriateness to market using all of the following measures:

1. Fair Value Transfer (FVT) as % of market cap, which is the total GAAP charge recognized over the vesting period as a percentage of total company value
2. Annual Dilution
3. Value transfer per employee

##### Discussion

Although per-employee value transfer may appear competitive against the overall market (see Attachment A),

#### Summary Analysis<sup>1, 2, 3, 4</sup>

- Data reflect FY2005 data for most companies; we will update this analysis after FY2006 filing data are available
- Google's proposed "FVT per Employee" [REDACTED]
- We analyzed Yahoo and Amazon's 2006 quarterly report filings to estimate their FY06 share usage
  - o [REDACTED]
  - o [REDACTED]
- See Attachment C for peer company details
- See Attachment D for Google 2007 share allocation details

<sup>1</sup> Fair Value Transfer ("FVT") is the accounting "fair value" each company recognizes on its financial statements over the vesting period. Beginning in 2007, Google's FVT reflects an additional [REDACTED] accounting charge per option under the Transferable Stock Option program.

<sup>2</sup> Assumes market capitalization as of fiscal year end, and assumes 15% Google stock price appreciation in 2007.

<sup>3</sup> Annual Dilution = Total options and stock units issued during fiscal year as percent of total fiscal year end shares outstanding.

<sup>4</sup> Reflects "FVT" per ongoing employee and assumes new hire employees receive 2.6 times the amount ongoing employees receive, which reflects peer company practice (Source: Buck Consulting's 2006 Global Long-term Incentive Survey, Custom peer company cut).

173.1

**B. RECOMMENDED SHAREHOLDER REQUEST****Recommendation**

We suggest [REDACTED]

A sufficient buffer will remain

in place to absorb any significant changes in expected usage due to hiring plan changes or stock price fluctuation

**Background**

The Committee has opted to review estimated share usage and file a new share request annually. Market practice has been to request additional shares less frequently and to leave sufficient number of shares in reserves to last multiple years.

**Summary Analysis**<sup>5, 6, 7, 8</sup>

A comparative analysis of our peer companies' share usage and additional share requests is shown below for reference:

Company	Reported Fiscal Year End	Options Granted	Stock Units Granted	Dilution Rate <sup>5</sup>	Over- hang <sup>6</sup>	FYE Total Over- hang <sup>7</sup>	FYE Shares Avail. for Grant	Est. Years Until Avail. Shares Will Run Out <sup>8</sup>	Shares Requested as % of Total Outstanding	Shares Requested as Years Until Avail. Shares Will Run Out	Shares shown in millions
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

**C. TRANSFERABLE STOCK OPTIONS (TSO) UPDATE****Regulatory Update**

- ⇒ In Q4 we completed substantially all of our regulatory discussions with the SEC
- ⇒ We expect to complete our international regulatory steps in Q1

**Communications and Implementation Update**

- ⇒ In December 2006, we announced our intent to launch the program during our Q2 open trading window (See press release in Attachment E)
- ⇒ We expect to run a *beta* test of the TSO auction in February to test the user interface and auction infrastructure
- ⇒ We are currently completing employee training and educational sessions around the world

**PROPOSAL:** We propose recommending formal Board approval to launch the TSO program in 2007

<sup>5</sup> Dilution Rate = (LFY Options Granted + LFY Stock/Units Granted) / FYE Shares Outstanding

<sup>6</sup> LFY Stock Option Overhang = FYE stock options outstanding / FYE shares outstanding

<sup>7</sup> Total Option/Share Overhang = (FYE options outstanding + FYE shares available for grant) / FYE total shares outstanding

<sup>8</sup> Years Until Depletion at FYE = FYE Shares Available for Grant / (LFY Options Granted + LFY Stock Granted)

173,2

**ATTACHMENT A****Market Guidelines Assessment**

We modeled the value of Google's current guidelines at various strike price scenarios for comparison to both market data and to the LDCC's approved new hire value transfer per employee (approved in March 2006).

Google EVT of Current New Hire Equity Guidelines at Modeled Grant Price (Assumes all options are TSOs)					LDCC Approved New Hire Value Transfer*			Market New Hire Equity Fair Value Transfer*				Google as % of Market 90th %ile at Modeled Grant Price			
Grade	\$400	\$450	\$500	\$550	\$600	LDCC Approved New Hire Value Transfer	90th	75th	50th	\$400	\$450	\$500	\$550	\$600	

\* Market data effective May 2006 and reflects a custom cuts of Buck High-Tech Equity Compensation survey. Data are tested for reasonableness against Radford survey's Peer companies and Bay Area companies cuts.

**ATTACHMENT B****2005/ 2006 Offer Acceptance/Decline Rate Data**

Data are sorted by job classification and then by employee level from highest (level 9) to lowest (level 1). Offers are most frequently declined by technical and senior level candidates.

EE Classification/ Offer Type	2005 HIRING DATA			2006 HIRING DATA		
	Number Offered	Acceptance Rate	Decline Rate	Number Offered	Acceptance Rate	Decline Rate
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**ATTACHMENT C****Peer Companies Selection Criteria**

We selected companies that met at least three of the following criteria:<sup>9</sup>

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

**Analysis Details**

Company	Data as of Last Reported FYE	Last 1-Year Growth			Total Equity "FVT" (\$MM) <sup>1</sup>	Last 1-Year "FVT" Growth	FVT Allocation		Market Assessment		
		EE's	Rev.	Mkt Cap			Options	RSUs	FVT as % of Mkt Cap <sup>2</sup>	Annual Dilution <sup>3</sup>	FVT per EE <sup>4</sup>
Google '05											
Google '06											
Google '07 (proposal)											
Perc											

Google '05  
Google '06  
Google '07 (proposal)  
Perc

**ATTACHMENT D****Proposed Share Allocation Details<sup>10</sup>**

Broad Employee Equity Award Pools	Proposed 2007 Share Usage				
	Employees Receiving Grant	Options	RSUs	Total FVT (\$MM)	Modeled Annualized Dilution
<b>Totals</b>	<b>20,165</b>	<b>4,600,000</b>	<b>1,235,000</b>	<b>\$1,874.1</b>	<b>1.979%</b>

NOTE: Option value transfer reflects additional GAAP accounting charges for TSOs. Without the added charge, total value transfer would be \$1.45B

We propose the following to achieve the usage levels shown:

- No change to current grant guidelines for "broad employee equity award pools"
  - o Adds [REDACTED] to reflect added value from TSO program
- Same grant levels in terms of options/GSUs to VPs as 2006
- [REDACTED]
- [REDACTED]
- [REDACTED]

This compares to 2006 usage as shown below:

Estimated Fiscal 2006 Share Usage as of Dec 06					
Broad Employee Equity Award Pools	Employees Receiving Grant	Options	RSUs	Total FVT (\$MM)	Modeled 2005 Dilution
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Other Equity Award Pools</b>					
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Totals</b>	<b>9,699</b>	<b>2,497,623</b>	<b>819,397</b>	<b>\$784.2</b>	<b>1.078%</b>

Delta					
Broad Employee Equity Award Pools	Employees Receiving Grant	Options	RSUs	Total FVT (\$MM)	2005 Dilution
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Other Equity Award Pools</b>					
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

**ATTACHMENT E**

**Google Transferable Stock Options (TSO) Press Release**  
December 12, 2006

**Google Inc. to Launch Transferable Stock Option Program for its Employees**

MOUNTAIN VIEW, Calif., December 12, 2006 - Google Inc. (NASDAQ: GOOG) announced today a program that will enable employees to sell vested stock options in an online auction. Under the Transferable Stock Option (TSO) program, employees will still be able to exercise their options, but will also be able to sell their options to financial institutions as an alternative.

This program represents an innovative way to compensate employees and will increase the efficiency of Google's equity compensation by increasing the per-option value of employee stock options. Google will amend the terms of eligible employee stock options to make vested options transferable. The auction will be managed by Morgan Stanley. Smith Barney will serve as the employee stock option administrator. Google is working with multiple financial institutions to participate as bidders in the auction.

The ability to sell options is not a novel concept - today people can buy and sell options to purchase Google stock and the stock of many other companies on the public markets. What is novel is that Google is extending this ability to trade options to employee stock options. If an employee chooses to sell options in the TSO program, he or she will use an internal online tool built by Morgan Stanley to sell them to the highest-bidding financial institution. The financial institutions buying the options will then likely hold them until maturity and then settle with Google.

Google's employee stock options typically have a ten-year term from the grant date. Under the TSO program, Google's employee stock options, upon transfer, will have a lifespan of the lesser of two years or up to the remaining term under the original grant.

Google expects this program will go into effect in the second quarter of 2007. Only stock options issued since Google's initial public offering will be eligible for this program, and Google's Executive Management Group may not participate in the program.

This program will not result in a change to the accounting method used for employee stock options. However, in the near term Google expects that the amount it recognizes as stock-based compensation will be greater than it would otherwise have been after the program goes into effect.

Google has discussed the TSO program with the Securities and Exchange Commission, and Google will ensure the program complies with applicable securities laws.

For more information about this new program, please visit the Google Blog at <http://googleblog.blogspot.com/>.

173, 7